

EXHIBIT AK

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK
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3 UNITED STATES OF AMERICA

4 v.

10 Cr. 228 (LTS)

5 DANIEL BONVENTRE,
6 JEROME O'HARA,
7 GEORGE PEREZ,
ANNETTE BONGIORNO,
JOANN CRUPI,

Jury Trial

8 Defendants.

9 -----x

New York, N.Y.
December 10, 2013
9:12 a.m.

10
11 Before:

12 HON. LAURA TAYLOR SWAIN

District Judge

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14
15 APPEARANCES

16
17 PREET BHARARA
18 United States Attorney for the
Southern District of New York
19 MATTHEW L. SCHWARTZ
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APPEARANCES

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Attorney for Defendant Bonventre

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ERIC R. BRESLIN

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Attorneys for Defendant Crupi

1 Q. Ms. Crupi was helping you prepare these documents for KPMG
2 London coming back in?

3 A. Yes.

4 Q. Let's look at what is in evidence as Government Exhibit
5 105-C171. Can we go slowly through the three pages of this
6 document, Ms. Baskin.

7 Do you see those three pages, Mr. DiPascali?

8 A. I do.

9 Q. What are we looking at?

10 A. The first page is something that I probably printed to get
11 a handle on what the industry standard would be in order to
12 collateralize an option position. I don't know what manual I
13 took that from. It might have been from the Internet, it might
14 have been from Bear Stearns, it might have been from any number
15 of sources. The point of what I would be reading there would
16 be how to margin or collateralize an option. This is the
17 calculation. That box in the middle was the answer to my
18 question.

19 Q. Whose handwriting is on this page?

20 A. Mine.

21 Q. When you say collateralize, does that mean in essence to
22 back up or to offer some protection to your counterparty?

23 A. Exactly that.

24 Q. Now can we go to the second page of this document. What is
25 this that we are looking at?

1 A. It's a spreadsheet that I created that was going to be the
2 nuts and bolts of this exercise. It was going to do a lot of
3 the calculation for me and allow the process to progress
4 swiftly instead of from month to month to month and client to
5 client to client calculate all sorts of stuff, and then have to
6 then create another side to that.

7 This spreadsheet, which is an Excel-based spreadsheet,
8 is identifying certain treasury bills across the top column.
9 The top row is the CUSIP of treasury bills and options. The
10 second row are the symbols of options and then a string of
11 treasury bills.

12 Going on the far left column are a string of account
13 numbers. Those are the accounts that Bernie told us he wanted
14 to use to be the counterparties of the customer option
15 positions. What this is doing is it's allowing me to randomly
16 assign, once I know the total of my customer option positions,
17 a quantity to each of those counterparties. Then, once I've
18 randomly defined what each counterparty's position is, this is
19 calculating what its margin or collateral requirement would be.

20 Once I established that, this spreadsheet allows me to
21 randomly pick a group of treasuries that were going to
22 represent that collateral, and then the whole total number
23 would circle back to what I needed. It's fairly complicated,
24 but it did all the grind work necessary to accomplish what
25 Bernie wanted.

1 Q. Were any of the treasury bills that are reflected on this
2 real?

3 A. No.

4 Q. Would it be fair to say that this essentially divvies up
5 amongst the client accounts Mr. Madoff provided to you to
6 collateralize the other sides of the option trading, that this
7 document divvies up the treasuries going to each one of those
8 accounts?

9 A. It first divvies up what their theoretical option position
10 would be, and based on that it assigns an array of treasuries
11 that would collateralize it.

12 Q. Let's go to the next page. Can we blow up the relevant
13 part of this. What does this document show?

14 A. Those same account numbers that were in the far left column
15 going down in a grid with a series of checks.

16 Q. Have you ever seen this document before?

17 A. Briefly.

18 Q. Whose handwriting is on this document?

19 A. Jodi's.

20 Q. Looking at the checks, do you understand what those
21 reflect?

22 A. Not exactly, but in concept yes.

23 Q. What in concept does it reflect?

24 A. It's got something to do with how many times --

25 MR. BRESLIN: Objection.

INDEX OF EXAMINATION

Examination of: Page
FRANK DIPASCALI
Direct By Mr. Zach 5233 continued)

GOVERNMENT EXHIBITS

Exhibit No.	Received
600-67 and 600-685236
101-114 and 101-125253
3501-335243